

Mr. DODD. Mr. President, I move to reconsider the vote and I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. REID. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant editor of the Daily Digest proceeded to call the roll.

Mrs. HAGAN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mrs. HAGAN. I ask unanimous consent to speak on amendment No. 3744.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mrs. HAGAN. Mr. President, payday lending institutions prey on people who find themselves in need of quick cash often for things like a necessary car repair or a medical problem. The lenders charge astronomical interest rates and expect immediate repayment.

By marketing payday loans as short-term advances, predatory lenders gouge borrowers into a cycle of debt. With repayment due in just days, interest rates that reach 400 percent, and because repayments are due in full, borrowers are often forced to take out new loans to repay the old loan.

The lenders themselves recognize that the loans are not for borrowers who intend to use them repeatedly. For example, one lender notes on its website that, "Since a payday advance is a short-term solution to an immediate need, it is not intended for repeated use in carrying an individual from payday to payday. When an immediate need arises, we're here to help. But a payday advance is not a long-term solution for ongoing budget management. Repeated or frequent use can create serious financial hardship."

But the statistics do not add up. Over 60 percent of payday loans go to borrowers with 12 or more transactions per year and 24 percent of payday loans go to borrowers with 21 or more transactions per year.

This startling statistic illustrates just how devastating this problem can be for families.

Take the story of Sandra Harris from Wilmington, NC. She had a job at Head Start and always paid her bills on time. When her husband lost his job, Sandra got a \$200 payday loan to pay the couple's car insurance. When she went to repay the loan, she was told she could renew. Sandra ultimately found herself indebted to six different payday lenders, paid some \$8,000 in fees.

Now, the payday lending industry will argue that they provide a valuable service. I would simply point out that, whether or not you believe that to be true, my amendment does not prohibit payday loans.

In fact, it allows up to six payday loans to the same borrower. If your business model relies on your ability to

rope borrowers into rolling these loans over again and again, even though you are charging 400 percent per loan, I would have some serious questions about your business model.

By reining in payday lenders, we will protect consumers from racking up endless, long-term debt that can ultimately cause a family to declare bankruptcy.

This amendment protects consumers by ensuring that short-term cash advances remain short-term.

It has three parts to accomplish this goal:

First, it limits rollovers by prohibiting creditors from issuing new payday loans to borrowers with six loans in the previous 12 months or 90 days aggregate indebtedness.

Second, it would require lenders to give borrowers the option to repay their loan over a longer time period. Creditors would need to offer an extended repayment plan for borrowers who are unable to meet repayment obligations.

Finally, the bill gives the Federal Reserve Board the authority to require licensing and bonding of payday lenders.

Leading consumer advocates such as the Center for Responsible Lending strongly support this legislation.

This is a commonsense amendment, it will help protect Main Street borrowers from predatory lenders, and I would urge all of my colleagues to join me in supporting it.

I ask unanimous consent to have printed in the RECORD the following letter of support from Michael Calhoun, the president of the Center for Responsible Lending.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

CENTER FOR RESPONSIBLE LENDING,  
May 4, 2010.

Hon. KAY HAGAN,  
United States Senator, Dirksen Senate Office Building, Washington, DC.

DEAR SENATOR HAGAN: We are writing to express our support for your bill, the "Payday Limitation Act of 2010," which would help end the cycle of long-term borrowing that traps so many payday borrowers in high-cost debt.

The payday lending debt trap causes families financial harm, with borrowers more likely to become delinquent on their credit cards, face difficulty in paying other bills, delay medical care, and, ultimately, file for bankruptcy. The average borrower has 9 payday loan transactions each year, typically on a back-to-back basis. This results in borrowers paying more in fees than they are extended in credit.

Your bill would codify the Federal Deposit Insurance Corporation's standard, which prohibits new loans to borrowers who have already been indebted 90 days in a given year, the equivalent of six two-week payday loans. This would ensure that these short-term small loans are used as intended, rather than becoming a long-term financial burden for families already living paycheck-to-paycheck.

If enacted, this legislation would represent a key step forward toward our long-term goal of protecting consumers through a 36 percent annual percentage rate cap on small

loans. We commend you on your efforts to reduce the incredible damage caused by this industry to low- and moderate-income families and look forward to working with you to pass this legislation.

Sincerely,

MICHAEL P. CALHOUN,  
President.

Mr. DURBIN. Would the Senator yield for a question?

Mrs. HAGAN. I will yield to the Senator.

Mr. DURBIN. I wish to thank the Senator from North Carolina for her leadership on this issue involving title loans and payday loans. I know she led the fight in her home State of North Carolina before she came here to the Senate.

I wish to ask the Senator from North Carolina, is it not true we passed a law a few years ago to protect military families from being exploited by these same lenders, arguing that, here we are, investing all this money in training and preparing men and women to serve in our military, and then they are ensnared by these payday loan operations, they find themselves at their wit's end, they cannot make their payments, they are facing bankruptcy, and many of them had to take leave or be discharged from the military because of these miserable payday loan operations? Is it not true we passed a law protecting military families from this kind of predatory lending a few years ago?

Mrs. HAGAN. The Senator from Illinois is certainly correct. I believe, instead of anywhere near a 400-percent rate, there are limitations of 36 percent. The Senator is correct.

Mr. DURBIN. So I further ask, through the Chair, the Senator from North Carolina is saying, if we want to protect military families from this outrageous conduct by these lenders, then should not we protect all American families who might be in similar circumstances, ensnared by these people who will continue to roll these loans over and over to the point where a person cannot possibly pay it off?

Does not the Senator's amendment say there has to be a limit to the number of rollovers on the loans, and is not the limit somewhere in the range of six rollovers, six times rolled over as a maximum?

Mrs. HAGAN. The Senator is exactly right. This amendment allows, if a family does need to have a short-term advance, for a short-term advance, renewable six times. They can have six of them within a 1-year period of time. If at that point they cannot repay it, the institution has to give them a longer repayment schedule.

We are not saying these loans cannot be given. But that recurring debt over and over and over again is what should be stopped by limiting it to six a year.

Mr. DURBIN. I thank the Senator from North Carolina for her leadership. These are truly the bottom feeders of the credit industry in America.

Mrs. HAGAN. Mr. President, I ask unanimous consent that the pending